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HUNGARIAN CONCEPT OF PROFITABILITY AND INTERNATIONAL DIVISION OF LABORKozgazdasagi Szemle  
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The concept of profitability has a different meaning in capitalist and Socialist countries. The capitalist, for example, calculates his individual profit and production costs. As a result, as was demonstrated by Marx, an increase in productivity is not necessarily profitable for the capitalistic producer, since he can render production profitable by depressing wages, without increasing the productivity.

In a Socialist country, on the other hand, the total social work which goes into the product counts as production cost. In Socialism, the reduction of the social production cost is achieved by an increase in productivity and production and by advanced technology. In Socialist countries, the most important index of profitability is the constant rise of national income. Profitability in Socialism must be examined from the viewpoint of the development of the society as a whole, as stated by Stalin: "... not from the viewpoint of individual enterprises or branches of production, nor from the perspective of a single year, but from the viewpoint of the entire national economy and the perspective of, say, 10-15 years."

Profitability is, therefore, a method by which the effectiveness of production can be gauged. In Socialism, it is subordinate to the class struggle, the defense of the country, the development of socialized means of production, the consolidation of political power, and the increase of social and cultural standards.

It is a different question, however, whether these political viewpoints are put in effect at the expense, or in lieu, of profitability. Hungarian planning practice has largely followed the latter method, that is, the substitution of economic-political considerations for calculations of profitability. Such substitutions are often unwarranted and may be explained by a mechanical and erroneous interpretation of the priority of the political viewpoint. Undoubtedly, the political viewpoint has priority in the guidance of the national economy; however, this is true only so far as it expresses and generalizes economic necessity. If sound economic calculations had been available, the errors committed in economic policy could have been detected quicker and easier.

The planning of profitability has two main problems: (1) the planning of profitability by coordinating the various branches of production, that is, the guaranteeing of the profitability of the national economy; and (2) the problem of the profitability of enterprises, that is, the coordinating of the profitability of enterprises and of the national economy.

In coordinating the various branches of production, the crucial problem of the profitability of the national economy is how the national economy should be coordinated with the international division of labor. This problem is the main thesis of this article. In this connection, two schools of thought exist. One is based on the principle of national self-sufficiency and the other, on the principle adopted by the third party congress, namely, that Hungary must seize every opportunity to take advantage of the international division of labor.

Although the government program has been in effect for more than a year, Hungary has not yet succeeded in assuming its role in the international

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division of labor. The reason for this lies partly in the fact that the principle of national self-sufficiency is still alive in textbooks, periodicals, planning, and in the heads of some of the leading personages of national economy. The classic formulation of the principle of national self-sufficiency can be found in all publications dealing with foreign trade, according to which "the primary task of foreign trade is to assure by exports the import of goods which cannot be produced domestically." (see, "Role and Current Tasks of the Planning of Foreign Trade," by Eva Illyes in Társadalmi Szemle, No 5, 1954.)

However, the large-scale development of the international division of labor was based on the economic laws of capitalism, that is, the exploitation of underdeveloped countries by more advanced nations. Therefore, the USSR has had to make itself independent of the capitalistic system of the international division of labor and has had to become self-sufficient. Certain vulgarizers of economic theory have fabricated from this circumstance a theory, according to which Socialist economy is self-sufficient in contrast to the capitalistic division of labor.

After World War II, however, the situation underwent a radical change, as Socialist division of labor came into being between the USSR and the People's Democracies. This Socialist international division of labor is characterized by mutual assistance. Accordingly, the object of foreign trade is not importation, and the means is not exportation, but both are means for the development of the Socialist national economy. We find ourselves in agreement with the following formulation by Tamas Nagy: "The basic task of Socialist foreign trade is to promote, through the international exchange of goods, the well-being of the peoples of the Socialist camp and to strengthen the national defense, thereby speeding up the development of the entire Socialist camp."

However, the principle of national self-sufficiency has a sequel, namely, the consideration that imports must be reduced and the export of certain products which embody a large amount of labor must be increased at all costs. In practice, this means the following:

1. We are still endeavoring to manufacture certain imported basic materials, for the (domestic) production of which long-range prospects are unfavorable.
2. We are applying the test of foreign-exchange revenue in making a decision as to the profitability of exports. The period of time, often extending to years, for the receipt of such foreign exchange is usually disregarded. As a result, such exports compare unfavorably with exported goods requiring a shorter period of time. In short, the slogan, "Reduce imports and increase exports at all costs," is an erroneous generalization.

Socialist national economy cannot be regarded as an isolated field of endeavor. The main guarantee of Hungary's political and economic independence is not economic isolation but close participation in the Socialist international division of labor. Such participation is, therefore, not only an economic problem but first of all, also a political problem. Hence, national self-sufficiency is at least as harmful politically as economically.

Remainder of article is largely devoted to theoretical calculations of imported and exported goods under various conditions.

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